



CITY OF DURHAM | NORTH CAROLINA

Date: July 7, 2015

To: Thomas J. Bonfield - City Manager
Through: W. Bowman Ferguson - Deputy City Manager
From: Marvin G. Williams – Director of Public Works
Subject: Private Drainage Assistance Cost Share and Interest Rate (Sections 70-687 & 70-688)

Executive Summary

The existing Durham Code of Ordinances Section 70-687 limits the City contribution for drainage assistance projects located on private single-family residential properties to \$20,000 per property per project. Section 70-688 requires that installment payments for the owner's contribution for drainage assistance projects located on private properties bear an interest rate of nine percent per annum. This amendment would raise the limit on the City's contribution to \$25,000 per property and set the installment payment interest rate to a rate fixed by City Council in the fee schedule of not more than nine percent per annum.

Recommendation

The Administration recommends that City Council conduct a public hearing and receive comments on proposed amendments to Durham Code of Ordinances Sections 70-687 and 70-688, and a separate ordinance amending the fee schedule to allow annual changes to the interest rate charged for installment payments under amended Code Section 70-688 for stormwater drainage work; and

Approve the ordinances amending Durham Code of Ordinances Sections 70-687 and 70-688, and a separate ordinance amending the fee schedule to allow annual changes to the interest rate charged for installment payments under amended Code Section 70-688 for stormwater drainage work.

Background

At the request of City Council, the Public Works Department administers a private drainage assistance program. The program provides assistance to property owners with failing drainage systems affecting their home and/or their primary means of ingress or egress. In 2009, City Council amended the Durham Code of Ordinances to enact a cost sharing between the City and the property owner. For single-family residential, owner occupied properties, the City's share of the cost was capped at \$20,000. This cap was based on the average cost of the typical cost of drainage assistance projects at the time. The average cost of drainage assistance projects has risen steadily based on the complexity of the projects and construction costs. This amendment would raise the cap on the City's cost share to \$25,000 in an effort to assist property owners with these growing costs.

Property owners who are eligible for the private drainage assistance program may opt to pay their portion of the cost by means of installment payments. The installment payment plan was modeled on the assessments process that was in place in 2009. The interest rate on these installment

payments is set at nine percent per annum. Since that time City Council has modified the assessments process to set the interest rate annually based on the prime interest rate, and not to exceed nine percent per annum. This amendment would set the interest rate of property owner cost share installment payments using the same interest rate as assessments.

Issues and Analysis

Two factors have contributed in the rise in costs related to private drainage assistance projects. The typical project being addressed today is more complex and longer in length than those that have been historically addressed. In addition, construction costs are higher than when the current City cost share cap of \$20,000 was set in 2009. The average cost for the 395 private drainage assistance projects completed between 1995 and 2008 was approximately \$12,000. The average cost of the 43 private drainage assistance projects between 2009 and today has risen to approximately \$32,000. The subject ordinance amendment would raise the City's cost share cap to \$25,000 which will more closely meet City Council's goal to cover eighty percent of the cost of the average private drainage assistance project.

Installment payments for the property owner cost share of private drainage assistance projects are currently charged nine percent per annum. The subject ordinance amendment would allow property owners to take advantage of potentially lower interest rates fixed by the City Council in the fee schedule.

Alternatives

City Council could choose not to amend the current Durham Code of Ordinances. If so, single-family private property owners applying to the private drainage assistance program will bear an increasing percentage of the total cost of assistance projects. In addition, property owners opting for installment payments for their cost share will be subject to a set interest rate of nine percent per annum, with no chance for a lower interest rate.

Financial Impact

No significant financial impact is anticipated.

SDBE Summary

Not applicable.

Attachments

1. Durham Code of Ordinances Sections 70-687 and 70-688.
2. Durham Code of Ordinances Sections 70-687 and 70-688 proposed amendment.
3. Durham Code of Ordinances Fee Schedule proposed amendment.